

AMENDED IN ASSEMBLY JUNE 10, 2014
AMENDED IN SENATE JANUARY 27, 2014
AMENDED IN SENATE JANUARY 6, 2014
AMENDED IN SENATE APRIL 23, 2013

SENATE BILL

No. 593

Introduced by Senator Lieu

February 22, 2013

An act to add and repeal Title 15.5 (commencing with Section 97000) of the Government Code, relating to social impact partnerships.

LEGISLATIVE COUNSEL'S DIGEST

SB 593, as amended, Lieu. Social impact partnerships: pilot program.

Existing law establishes the Office of Planning and Research *in the Governor's office* and sets forth its powers and duties as the comprehensive state planning ~~agency~~; *agency, including, among other things, to evaluate plans and programs of departments and agencies of state government.*

~~This bill would require the Office of Planning and Research to conduct the Social Impact Partnership Pilot Program. The bill would authorize the Director of the Office of Planning and Research to identify and submit proposed social impact partnerships to the Legislature for consideration with the May Revision of the Governor's Budget each year beginning in 2015. The bill would create the Social Innovation Financing Trust Fund from which funds appropriated by the Legislature would be spent on contracts entered into by the office with approved applicants, as specified. The bill would authorize the office to adopt regulations to implement these provisions and to establish an application fee to cover the expenses of the office. The bill would also require the~~

~~director to report annually to the Governor and Legislature on the status of ongoing social impact partnerships and the Social Innovation Financing Trust Fund, as specified. This bill would repeal these provisions on January 1, 2020.~~

This bill would state findings and declarations of the Legislature regarding the social problems currently facing the state and the function of social impact partnerships. The bill would authorize the Governor to enter into at least 3 social impact partnerships, as defined, each fiscal year to address policies or programs not currently funded by the state, to address particular components of state programs in order to improve outcomes or lower state costs, to reduce recidivism, to reduce child abuse and neglect, or to assist at-risk and foster children, provided that the social impact partnership is not used to operate entire state programs, does not cause the displacement of any state employee, and the contractual agreement contains specified provisions. The bill would require a contract for a social impact partnership to be submitted to the Legislature as part of the Governor's proposed budget, and any funding necessary for that fiscal year to be included in the Governor's proposed budget for the state agency that would administer or oversee the contract. The bill would provide that for contracts approved by the Legislature in prior fiscal years, payments made under the contract would be subject to appropriation according to the terms of the contract.

This bill would repeal these provisions on January 1, 2020.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. *The Legislature finds and declares all of the*
- 2 *following:*
- 3 (a) *This act shall be known, and may be cited, as the California*
- 4 *Social Impact Partnership Act.*
- 5 (b) *Over six million people are currently living in poverty in*
- 6 *California, and 22 percent are children. One in five children in*
- 7 *California lives in poverty and nearly one-half of children in*
- 8 *California either live in poverty or perilously close to it.*
- 9 (c) *The recidivism rates in California are among the highest in*
- 10 *the nation. According to a 2012 report by the Department of*
- 11 *Corrections and Rehabilitation, just over 65 percent of those*
- 12 *released from California's prison system return within three years.*

1 (d) Approximately 55,000 children are in the foster care system
2 in California, yet, according to the Pew Charitable Trusts, by 19
3 years of age only 57 percent of emancipated foster youth have
4 received high school diplomas or general education development
5 (GED). Over 70 percent of all state prison inmates have spent time
6 in the foster care system.

7 (e) Despite current efforts to address these challenges, there
8 are simply not sufficient resources available through traditional
9 funding mechanisms. Innovative approaches that can be shown to
10 achieve defined goals should be pursued.

11 (f) Social impact partnerships are essentially
12 pay-for-performance contracts that can be used for social
13 programs administered by nongovernmental organizations whereby
14 governmental agencies pay only for successful programs with real,
15 measurable outcomes after the results have been achieved.

16 (g) This act will authorize the state to contract with
17 nongovernmental organizations to provide a service to a targeted
18 population over a specified period of time. If the results of the
19 services provided meet predetermined program goals, the state
20 will repay the nongovernmental organization for the services
21 rendered plus an agreed upon rate of return. If the social program
22 does not meet the targets, the government pays nothing.

23 (h) The social impact partnership model was first used in the
24 United Kingdom in 2010 and has since been adopted in New York
25 City, Massachusetts, and Ohio, and contracts are being formulated
26 in other states such as Michigan, Colorado, Utah, North Carolina,
27 and New Jersey.

28 (i) In a time of limited public funds and a decrease in
29 philanthropy, the social impact partnership model is being used
30 across the nation to address social problems, to reduce recidivism,
31 to reduce chronic homelessness, and to fund early childhood
32 intervention and prevention services and job training programs.

33 ~~SECTION 1.~~

34 SEC. 2. Title 15.5 (commencing with Section 97000) is added
35 to the Government Code, to read:

1 TITLE 15.5. SOCIAL IMPACT PARTNERSHIPS PILOT
2 PROGRAM

3
4 CHAPTER 1. GENERAL

5
6 97000. (a) For purposes of this title, “social impact
7 partnership,” also referred to as a “pay for success contract,” means
8 a contract for services ~~provided~~ to address a defined demographic
9 group’s particular needs ~~that are traditionally addressed through~~
10 ~~state programs and funding therefor, in order to improve outcomes~~
11 ~~and lower costs because payment is made only after measured~~
12 ~~results are for which payment will be made after predetermined~~
13 ~~measurable results have been achieved.~~

14 (b) ~~“Director” means the Director of the Office of Planning and~~
15 ~~Research established pursuant to Section 65037.~~

16 (b) *Social impact partnerships may be entered into, subject to*
17 *subdivision (d), for any of the following:*

18 (1) *To address policies or programs not currently funded by*
19 *the state.*

20 (2) *To address particular components of state programs in order*
21 *to improve outcomes or lower state costs.*

22 (3) *To improve outcomes in programs designed to reduce*
23 *recidivism in the population of formerly incarcerated individuals.*

24 (4) *To reduce the incidence of child abuse and neglect through*
25 *prevention and treatment, to improve the stability of at-risk and*
26 *foster children through behavioral health and other*
27 *trauma-informed care, and to improve educational outcomes and*
28 *job preparedness for at-risk and foster children.*

29 (c) *Social impact partnerships shall not be used for the operation*
30 *of entire state programs nor cause the displacement of any state*
31 *employee.*

32 (d) *The Governor is authorized to enter into a social impact*
33 *partnership for the purposes set forth in subdivision (b) if the*
34 *contractual agreement contains all of the following:*

35 (1) *A requirement that payments for services be conditioned*
36 *upon the achievement of specific outcomes based on defined*
37 *performance measures.*

38 (2) *A requirement that an independent evaluator be used to*
39 *determine whether the performance outcomes have been achieved.*

1 (3) *Specifications for how success will be measured and*
2 *payments for services are earned.*

3 (4) *A calculation for the amount of, and the timing of, payments*
4 *that will be earned by the service provider during each year of the*
5 *agreement, if performance outcomes are achieved as determined*
6 *by the independent evaluator.*

7 (5) *If applicable, pursuant to paragraph (2) of subdivision (b),*
8 *a statement that the contract will result in significant performance*
9 *improvements or budgetary savings if the performance outcomes*
10 *are achieved.*

11 (e) *If the Governor exercises the authority set forth in*
12 *subdivision (d), he or she shall enter into at least three contracted*
13 *agreements for social impact partnerships during the fiscal year*
14 *in which the state enters into the first contractual agreement.*

15 97001. ~~(a) The Office of Planning and Research shall conduct~~
16 ~~the Social Impact Partnerships Pilot Program.~~

17 ~~(b) (1) The director may identify and submit proposed social~~
18 ~~impact partnerships to the chairs of the Senate and Assembly~~
19 ~~budget committees and the chairs of the relevant subcommittee~~
20 ~~for consideration with the May Revision of the Governor's Budget~~
21 ~~each year beginning in 2015.~~

22 ~~(2) Prior to the submission of any proposed social impact~~
23 ~~partnerships, the director shall consult with the appropriate state~~
24 ~~agency or department responsible for administering any affected~~
25 ~~state program.~~

26 ~~(3) At a minimum, each submission shall include all of the~~
27 ~~following:~~

28 ~~(A) A description of the proposed social program.~~

29 ~~(B) A description of the organization's experience in providing~~
30 ~~the proposed social program.~~

31 ~~(C) A description of the financial stability of the organization.~~

32 ~~(D) An identification of each component of the social program~~
33 ~~to be provided.~~

34 ~~(E) A description of how the social program will be provided.~~

35 ~~(F) A description of the recruitment or selection process, or~~
36 ~~both, for participants in the social program.~~

37 ~~(G) The proposed quantifiable results upon which success of~~
38 ~~the social program will be measured.~~

39 ~~(H) An itemization of all expenses proposed to be reimbursed~~
40 ~~under the contract.~~

1 ~~97002. (a) Upon appropriation of sufficient funds by the~~
2 ~~Legislature, the director shall enter into a contract with the~~
3 ~~approved applicant.~~

4 ~~(b) Each contract shall include all of the following:~~

5 ~~(1) A requirement that the payment be conditioned on the~~
6 ~~achievement of specific outcomes based upon defined performance~~
7 ~~targets.~~

8 ~~(2) An objective process by which an independent evaluator,~~
9 ~~selected by the director, will determine whether the performance~~
10 ~~targets have been achieved.~~

11 ~~(3) A calculation of the amount and timing of payments that~~
12 ~~would be earned by the service provider during each year of the~~
13 ~~agreement if performance targets are achieved as determined by~~
14 ~~the independent evaluator.~~

15 ~~(4) A determination by the director that the contract will result~~
16 ~~in significant performance improvements and budgetary savings~~
17 ~~across impacted agencies or departments if the performance targets~~
18 ~~are achieved.~~

19 ~~(c) The director shall not enter into any contract that exceeds~~
20 ~~the funds appropriated for it by the Legislature.~~

21 ~~97003. (a) The Social Innovation Financing Trust Fund is~~
22 ~~hereby created in the State Treasury. All funds appropriated by~~
23 ~~the Legislature pursuant to Section 97002 shall be deposited into~~
24 ~~the Social Innovation Financing Trust Fund.~~

25 ~~(b) Social impact partnership contracts entered into by the office~~
26 ~~with approved applicants shall be paid from the Social Innovation~~
27 ~~Financing Trust Fund.~~

28 ~~97004. (a) The Office of Planning and Research may adopt~~
29 ~~regulations to implement this title.~~

30 ~~(b) The office shall adopt an application fee that is sufficient to~~
31 ~~cover the expenses incurred by the office, including startup costs.~~

32 ~~97005. The director shall report annually to the Governor and~~
33 ~~Legislature on the status of each ongoing social impact partnership,~~
34 ~~including, but not limited to, a description of the desired outcome~~
35 ~~and an overview of the independent evaluator's findings. The~~
36 ~~report shall also contain an accounting of the Social Innovation~~
37 ~~Financing Trust Fund.~~

38 ~~97006. This title shall not create a statutory entitlement to~~
39 ~~services or any contractual obligation on the part of the state. It is~~
40 ~~the intent of the Legislature that a proposed contract under Section~~

1 ~~97001 is subject to legislative review and approval before its~~
2 ~~execution, and that any appropriation only occur after the review~~
3 ~~and approval.~~

4 ~~97007. This title shall be repealed on January 1, 2020.~~

5 *97001. (a) A contract for a social impact partnership shall be*
6 *submitted to the Legislature as part of the Governor's proposed*
7 *budget, and any funding of the contract for that fiscal year shall*
8 *be included in the Governor's proposed budget for the state agency*
9 *that would administer or oversee the contract.*

10 *(b) For contracts approved by the Legislature for prior fiscal*
11 *years, payments made under the contract shall be subject to*
12 *appropriation according to the terms of the contract.*

13 ~~97002. This title shall be repealed on January 1, 2020.~~